



**The Peoples Gas Light & Coke Company
North Shore Gas Company**

2014 ANNUAL REPORT ON

BUSINESS DIVERSITY

FOR

ILLINOIS COMMERCE COMMISSION

FILED PURUSANT TO

220 ILCS 5/5-117

SUPPLIER DIVERSITY GOALS

Date: April 15, 2015

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**Annual Business Diversity Report for the Year Ending,
December 31, 2014**

1. Regulated Entity “Company” Information

Company Name:	The Peoples Gas Light & Coke Company/North Shore Gas Company
Address:	200 E. Randolph St
	Chicago, IL 60601
Contact Person:	Sharon Moy
Title:	Rate Case Consultant
Phone Number:	(312) 240-3875
E-mail address:	SMoy@integrysgroup.com
IL President*	John D Kleczynski

***or name of highest-ranking executive based in Illinois.**

2. MWVSBE Program Reporting

Expenditure and Vendor Utilization (In Thousands)

		2014				
	Company Expenditures					
	w/All Suppliers					
				% of Overall		
Spend Category	Total			Actual	Goal	
Overall	\$ 525,959					
	Direct	2nd Tier	Total	Actual	Goal	
MBE	\$ 6,615	\$ 8,664	\$ 15,279	2.91%	3.00%	
WBE	\$ 90,647	\$ 3,664	\$ 94,311	17.93%	10.00%	
VBE	\$ 848	\$ 62	\$ 910	0.17%	0.20%	
SBE	\$ 115,763	\$ 217	\$ 115,980	22.05%		
Total M/W/VBE/SBE	\$ 213,873	\$ 12,607	\$ 226,480	43.06%		

The data provided above includes Direct and 2nd Tier Spend.

(In Thousands)

	Company Expenditures				
	w/Illinois Based Suppliers				
				% of Overall	
Spend Category	Total			Actual*	Goal
Overall	\$ 238,733				
	Direct	2nd Tier	Total	Actual	Goal
MBE	\$ 2,125	\$ 3,082	\$ 5,207	2.18%	
WBE	\$ 87,904	\$ 1,228	\$ 89,132	37.34%	
VBE	\$ 848	\$ 49	\$ 897	0.38%	
SBE	\$ 80,139	\$ 178	\$ 80,317	33.64%	
Total M/W/VBE/SBE	\$ 171,016	\$ 4,537	\$ 175,553	73.54%	

**Note: Illinois actual % is expressed as a % of total spend with Illinois based suppliers*

Suppliers that qualify for more than one classification are not double-counted. The typical hierarchy is MBE first, WBE second. (i.e. an African American female-owned business would be coded as MBE not WBE.) Dollars spent with an African American Woman Service Disabled Veteran can be counted as either MBE or DVBE spend.

3. M/W/VBE/SBE Spend by Product/Service Category

a) Minority Business Enterprises (MBE)

Product/Service Description	(In Thousands)
Engineering/Tech Services	\$ 4,849
Analysis & Testing	\$ 4,372
Construction	\$ 3,813
Waste Disposal	\$ 748
Consulting	\$ 555
Building Services	\$ 359
Credit & Collections	\$ 174
Restoration	\$ 150
Legal	\$ 111
Other	\$ 148
Total MBE Spend	\$ 15,279

b) Women Business Enterprises (WBE)

Product/Service Description	(In Thousands)
Restoration	\$ 72,604
Construction	\$ 17,460
Engineering/Tech Services	\$ 1,908
Gas Distribution	\$ 752
Equipment Repair	\$ 412
Marketing & Advertising	\$ 405
Freight Services	\$ 207
Consulting	\$ 182
Other	\$ 381
Total WBE Spend	\$ 94,311

c) Veteran Business Enterprises (VBE)

Product/Service Description	(In Thousands)
Tools	\$ 848
Restoration	\$ 50
Engineering/Tech Services	\$ 12
Total VBE Spend	\$ 910

d) Small Business Enterprises (SBE)

Product/Service Description	(In Thousands)
Construction	\$ 67,068
Engineering/Tech Services	\$ 21,319
Gas Distribution	\$ 7,789
Building Services	\$ 3,116
Restoration	\$ 2,608
Computer and Office	\$ 2,547
Equipment Repair	\$ 2,281
Automotive	\$ 1,981
Equipment Rental	\$ 1,607
Consulting	\$ 1,128
Tools	\$ 970
Safety	\$ 679
Security	\$ 673
Gas Storage	\$ 427
Marketing & Advertising	\$ 328
Printing Services	\$ 275
Building Supplies	\$ 249
Software Maintenance	\$ 231
Vehicle Maintenance	\$ 223
Training Services	\$ 91
Human Resources	\$ 85
Other	\$ 305
Total SBE Spend	\$ 115,980

Note: The category “Other” in tables a), b), c) and d) are a compilation of spending categories that are individually significantly less than \$100,000. For simplification, this spending has been grouped as “Other”.

I. EXECUTIVE MESSAGE

Peoples Gas and North Shore Gas have a great history of using diverse suppliers to support the safe and reliable natural gas service we deliver to our customers each and every day. As we work to upgrade and modernize the natural gas infrastructure in Illinois, we are committed to developing and building even greater relationships with business and advocacy organizations to grow and sustain a higher level of supplier diversity and to support businesses that represent the customer communities we serve.

The supply chain services department is charged with identifying opportunities for the utilization and growth of diverse supplier opportunities, and there is an expectation as part of our company vision mission and values, that each business unit and every employee in our business foster diversity and inclusion in everything we do. We realize that enhancing relationships with diverse businesses and working strategically with our community partners encourages innovation and growth and provides us with additional qualified sources of supply.

In 2014 Peoples Gas and North Shore Gas increased spend with diverse suppliers by 75% with an overall spend of over \$110.5 million. For 2015, the utilities are implementing an even more robust supplier diversity initiative for construction, environmental services, engineering, and restoration contracts. This new initiative is designed to increase first and second tier procurement opportunities and use of minority, women-owned and veteran-owned businesses. We are strengthening the language in our contracts to turn goals into results and targets into requirements.

Peoples Gas has been delivering natural gas in Chicago for over 165 years and North Shore Gas has been supplying northern Illinois communities for 115 years. Our aim is to extend our legacy and commitment to supplier diversity. There are many opportunities ahead to create meaningful business opportunities and deliver sustainable business diversity results with our entire supplier network. We will continue to challenge every part of our business to explore ways in which we can responsibly increase our diverse supplier spend in the community.



John D Kleczynski

President, Peoples Gas and North Shore Gas



II. TERMS AND DEFINITIONS

MINORITY-OWNED BUSINESS ENTERPRISE

”Minority-owned business enterprise” (“MBE”) means (1) a business enterprise (a) that is at least 51% owned by a minority individual or group(s) or (b) if a publicly owned business, at least 51 % of the stock of which is owned by one or more minority groups, and (2) whose management and daily business operations are controlled by one or more of those individuals. The contracting utility shall presume that minority includes, but is not limited to, Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and other groups, as defined herein. The business holds a certificate by a third party who determined on the basis of firm-provided information and the representations therein, that the business is a bona fide MBE.

Note: Foreign-owned companies operating in or out of the U.S. are not included.

WOMEN-OWNED or FEMALE-OWNED BUSINESS ENTERPRISE

”Women-owned business enterprise” (“WBE”) may also be referred to as female-owned, means (1) a business enterprise (a) that is at least 51% owned by a woman or women or (b) if a publicly owned business, at least 51% of the stock of which is owned by one or more women; and (2) whose management and daily business operations are controlled by one or more of those individuals. The business holds a certificate by a third party who determined on the basis of firm-provided information and the representations therein, that the business is a bona fide WBE.

Note: Foreign-owned companies operating in or out of the U.S. are not included.

VETERAN-OWNED BUSINESS ENTERPRISE

”Veteran-Owned Small Business” (“VBE”) as used in this provision means a small business that: (i) is at least 51% unconditionally owned by one or more veterans; or in the case of any publicly owned business, at least 51% of the stock of which is unconditionally owned by one or more veterans; and (ii) whose management and daily business operations are controlled by one or more veterans. The business holds a certificate by a third party who determined on the basis of firm-provided information and the representations therein, that the business is a bona fide VBE.

Note: Foreign-owned companies operating in or out of the U.S. are not included.

SMALL BUSINESS ENTERPRISE

A “Small Business Enterprise” (“SBE”) is one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the

industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period.

Examples of Small Business Administration general size standards include the following (and can change):

Manufacturing: Maximum number of employees may range from 500 to 1500, depending on the type of product manufactured;

Wholesaling: Maximum number of employees may range from 100 to 500 depending on the particular product being provided;

Services: Annual receipts may not exceed \$2.5 to \$21.5 million, depending on the particular service being provided;

Retailing: Annual receipts may not exceed \$5.0 to \$21.0 million, depending on the particular product being provided;

General and Heavy Construction: General construction annual receipts may not exceed \$13.5 to \$17 million, depending on the type of construction;

Special Trade Construction: Annual receipts may not exceed \$7 million; and

Agriculture: Annual receipts may not exceed \$0.5 to \$9.0 million, depending on the agricultural product.

1ST TIER SUPPLIER

A 1st Tier Supplier is a supplier, contractor or professional service business that is considered a prime contractor or one that has a direct contractual relationship with: (a) Peoples Gas and/or North Shore Gas or (b) Integrys Business Support, LLC (“IBS”) and supports Peoples Gas or North Shore Gas. These companies are paid directly by Peoples Gas, North Shore Gas or IBS and they would be considered a direct subcontractor of Peoples Gas, North Shore Gas, or IBS.

2ND TIER SUPPLIER

A 2nd Tier Supplier is a supplier, contractor or professional service business that has a direct contractual relationship or otherwise performs certain services or provides materials to a 1st Tier Supplier, and therefore, is not being directly compensated by Peoples Gas, North Shore Gas or IBS.

ILLINOIS-BASED SUPPLIER

Illinois-based supplier, for purposes of this report, is defined as a supplier whose remittance address is in the state of Illinois, regardless of where their corporate or sales office is located.

THE PEOPLES GAS LIGHT & COKE COMPANY

The Peoples Gas Light & Coke Company (“Peoples Gas”) is a regulated gas utility company serving the city of Chicago. Collectively Peoples Gas and North Shore Gas may be referred to as the “Companies”.

NORTH SHORE GAS COMPANY

North Shore Gas Company (“North Shore Gas”) is the natural gas utility company serving 54 communities within the northern suburbs of Chicago. Collectively North Shore Gas with Peoples Gas may be referred to as the “Companies”.

INTEGRYS BUSINESS SUPPORT, LLC

Integrys Business Support, LLC (“IBS”) is a subsidiary of Integrys Energy Group, Inc. (“Integrys”) IBS provides support services, e.g. Human Resources, Finance, Legal & Governance, Supply Chain to Integrys’ subsidiaries.

INTEGRYS ENERGY GROUP, INC.

Integrys Energy Group, Inc. (“Integrys”) is an energy holding company based in Chicago, Illinois. Its operating subsidiaries provide natural gas and electricity in regulated and non-regulated markets. Integrys is the ultimate corporate parent of Peoples Gas, North Shore Gas and IBS.

III. SUMMARY FEMALE OWNED, MINORITY-OWNED, VETERAN-OWNED, AND SMALL BUSINESS ENTERPRISE GOALS AND SPENDING IN THE PREVIOUS CALENDAR YEAR

Integritys and its subsidiaries, Peoples Gas and North Shore Gas support the growth of business opportunities with minority, women-owned, veteran-owned, and small business enterprises (M/W/VBE/SBE). Our journey and commitment to the economic vitality of the city of Chicago and the state of Illinois has taken us to the end of 2014 with an overall diversity spend over \$110.5 million with M/W/VBE suppliers, which is 21% of all spend at the Companies. In addition, in 2014 we spent \$116 million with SBEs which is 22% of all spending by the Companies. In total the Companies spent \$226 million with M/W/VBE and SBE suppliers in 2014 establishing our total M/W/VBE and SBE spend at 43%. This is a 75% increase from the \$130 million spent in total with our M/W/VBE and SBE suppliers in 2013.

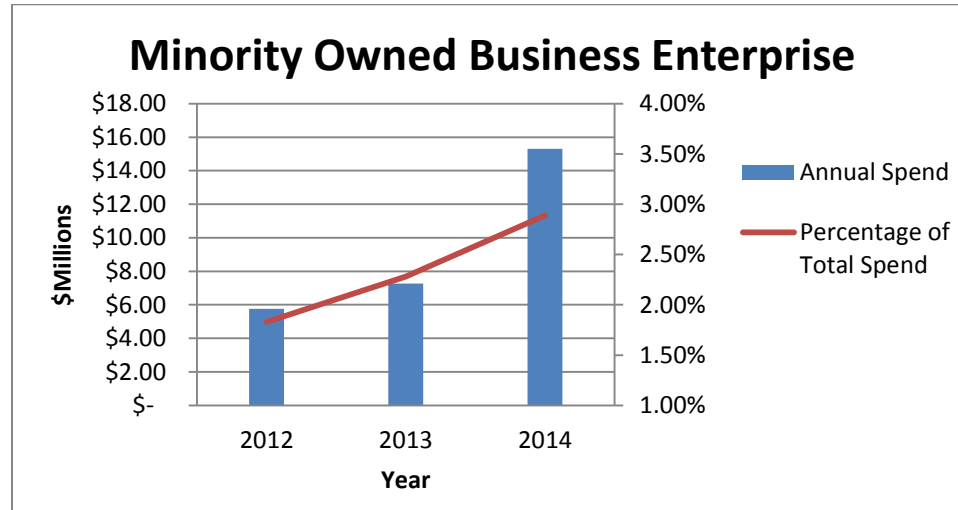
Below is a table showing the changes from 2013 to 2014 against our goals. Plans for improving during the next year and raising the bar will be discussed in Section V.

M = Millions	MBE	WBE	VBE
2014 PUBLISHED GOALS	3%	10%	0.20%
2014 Jan-Dec	\$15.3M	\$94.3M	\$0.9M
2014% Jan-Dec (actual \$526M total spend)	2.91%	17.93%	0.17%
2013 Jan-Dec	\$7.3M	\$51.7M	\$0.7M
2013 % Jan-Dec (actual \$318M P.O. spend)	2.28%	16.24%	0.24%

The 2014 results were driven by high MBE and WBE spend in construction, engineering and restoration services as well as strong 2nd tier spend through our primary contractors. The next few paragraphs will detail each classification of diverse business enterprises that we track to provide you our experiences during 2014 and over the last three years.

MBE spend was up the most in 2014, by over 100%. We attribute this increase to an internal focus on business diversity as well as significant increases in spending with 2nd Tier Suppliers. Those increases were driven, in part, by expanding the use of contracting language with our 1st Tier Suppliers for larger contracts (>\$1 million) to utilize more MBE, WBE and VBE subcontractors. We included a goal of 5% for many of the larger 1st Tier Suppliers and their spending is monitored quarterly. Year over year, the Companies have been steadily increasing the amount of money spent with MBEs. In

2014, the Companies used 45 different MBEs for goods and services to support the utilities.



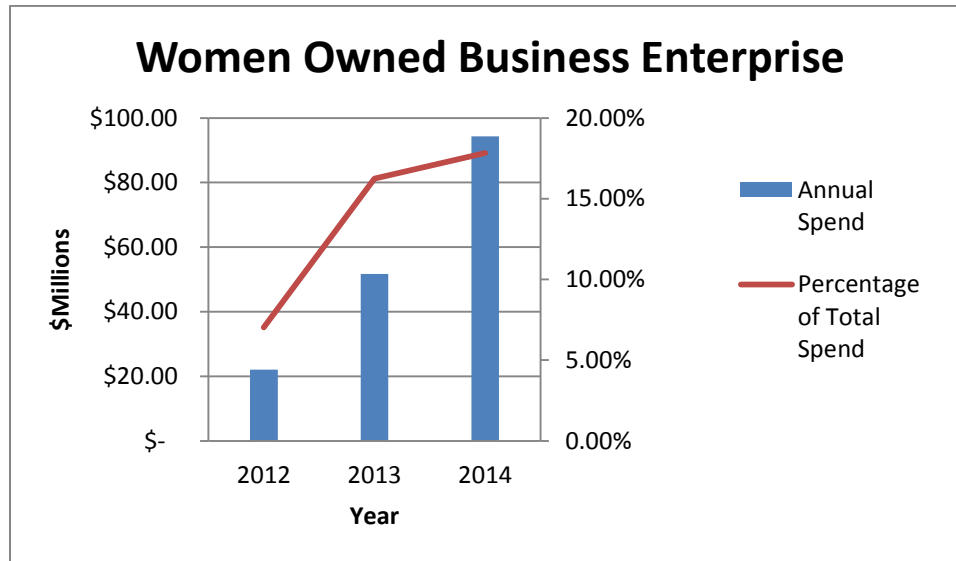
Even though the Companies more than doubled its spending with MBEs in 2014, we still fell short of our goal of 3% by 0.09%. While the Companies fell short of its MBE goal for 2014, we believe that, in 2015 the higher MBE goal can be achieved. Regardless of the setback, in 2015 we will be raising the bar as we recognize that there is room for improvement in providing business opportunities to minority suppliers and contractors.

In 2014 we implemented several new processes to develop a better MBE program, but there were challenges. First, we changed how we counted total spend, which now includes all spending that supports the Companies except for those categories that we mutually agreed with the other Illinois utilities to eliminate. The spend total that was reported in 2013 was \$318 million reflecting total purchase order spending for the Companies. The spend total in 2014 was \$526 million reflecting: (1) total purchase order spend, (2) non-purchase order spend, and (3) centrally allocated costs less the excluded expenditures. (See Section IV.B. for a complete list of excluded expenditures.) Initially, 2014 goals and initiatives were established based on total purchase order spend for the Companies, focusing on categories to target and increase spend in M/W/VBEs. However, at the end of 2014, we adopted a revised definition of total spend to include the other spend categories. That change in definition of spending created a gap of spends that had not been targeted for M/W/VBEs.

Another factor which contributed to a shortfall in meeting our goal in 2014 was, for the first time, we were reporting only spending with 3rd party certified companies. Last year, we included 3rd party certified companies and self-certified companies in the total spend reporting. The Companies continue to work with self-certified companies because of their competitiveness and legacy contracts. However we did not report approximately \$3 million of spending to those companies who claimed to be minority-

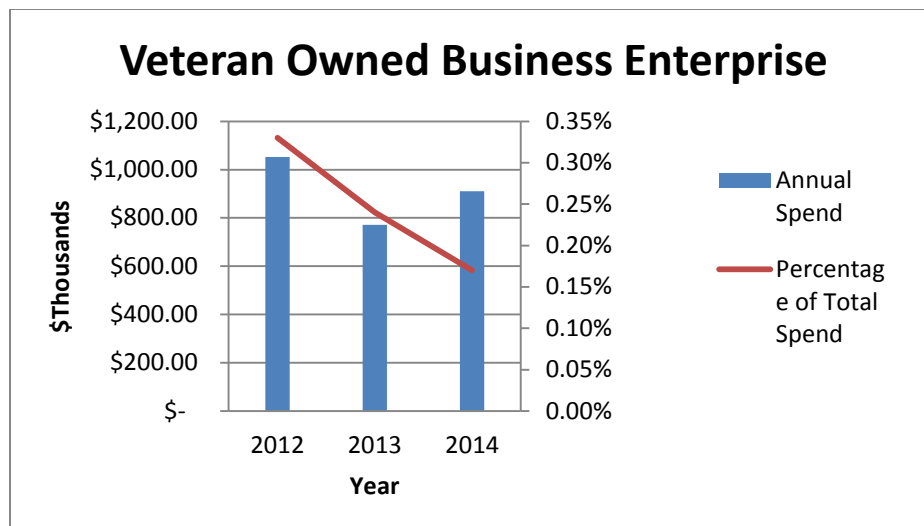
owned but did not provide a 3rd party certificate. We are continuing to work with these companies to help them obtain certification.

WBE spend was also up in 2014, by \$43 million. We attribute a majority of this increase to a single contractor who performed the bulk of the hardscape restoration work in the city of Chicago.

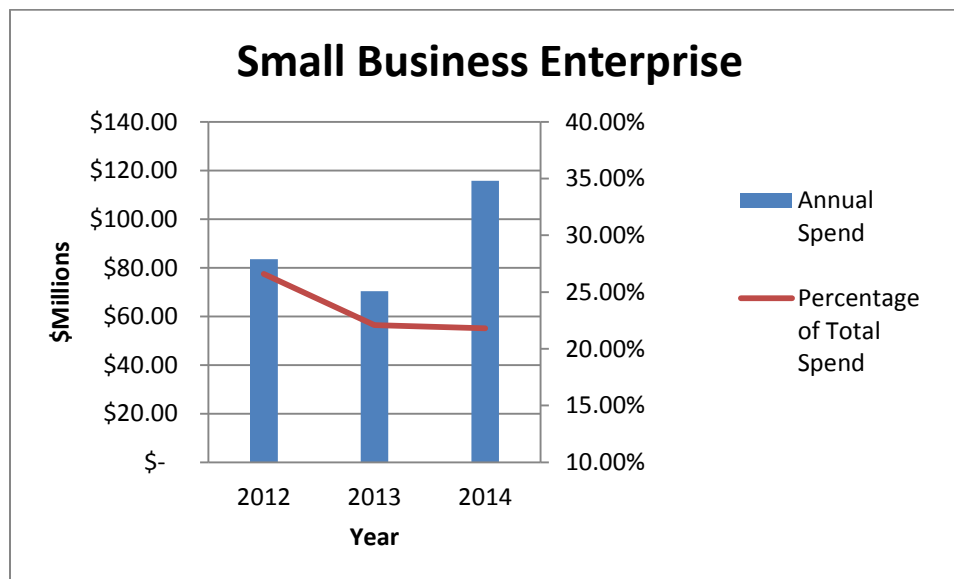


The Companies are proud to be working with 54 certified WBEs and we are planning to continue to grow the number of WBE used by the Companies in 2015. We have expanded the use of 2nd tier contractual requirements in our 1st Tier Suppliers for WBEs. Further we encourage our 1st Tier Suppliers to actively seek out WBEs to support their subcontracting needs.

VBE spend was up in 2014 from 2013 by over 17% to \$910,000. Increasing VBE spending is perhaps one of the hardest categories to fill as there are relatively few VBEs to choose from in our contract focus areas. For our April 2015 Supplier Diversity Forum, we invited 15 new environmental and engineering firms that were Illinois-based VBEs. We are hoping to grow our visibility among the VBE-community and achieve greater access to more VBEs through similar types of outreach in 2015.



SBE spend was up in 2014, by over 60%. We achieved a record of spending over \$116 million with companies that are classified as a SBE. Many of these SBEs are located within the communities we serve. The Companies are working to put more of a focus on local spending and maintaining supplier and contractor relationships within the communities we serve to continue to grow the economies of these areas. In 2014, the Companies used over 240 different SBEs.



Overall, the Companies spend in the M/W/VBE categories has been increasing over time. In 2014, we had over \$110.5 million of expenditures with 103 diverse companies, compared to \$29 million in 2012 and about \$60 million in 2013. Specifically, we increased our diversity spend with MBEs from 1.83% in 2012 to 2.28% in 2013 and now to 2.89% in 2014, and WBEs from 7.03% in 2012 to 16.24% in 2013 to 17.83% in 2014.

In 2014 we added new companies in spending categories of building services, restoration, legal, gas distribution, marketing & advertising and consulting. The Companies continue expanding the number of diverse companies we are working with as well as increasing spending with those companies.

We held the inaugural Peoples Gas and North Shore Gas Supplier Diversity Forum in June 2014 with over 100 contractors and suppliers attending. We provided an overview of upcoming work as well as hosting breakout sessions with engineering, supply chain and resources for certification. Our outreach programs have resulted in new contractors and professional service providers and new relationships between our 1st and 2nd Tier Suppliers.

**You're Invited to Attend the
Peoples Gas & North Shore Gas Supplier Diversity Forum
WEDNESDAY JUNE 25, 2014 | 9AM- 2PM**

Peoples Gas and North Shore Gas are committed to spending more than \$2.5 billion over 10 years to improve the safety and reliability of the natural gas distribution system in Chicago and 54 communities we serve in Lake County. In 2015, we plan to invest about \$300M in capital construction projects including cast iron main replacement, upgrading distribution system pressure, moving meters outside of buildings and high pressure transmission line upgrades. This investment in infrastructure has created around 1000 highly skilled jobs and advances the need for an expansion of our relationships with contractors, vendors, local suppliers and new business partners. Peoples Gas and North Shore Gas are keen to attract and support diverse suppliers including minority owned, female owned and veteran owned businesses to share in the opportunity to upgrade and modernize our natural gas infrastructure.

Participation will be limited to contractors and suppliers with experience in the following professions:

Disposal	Painting
Engineering Design	Paving
Environmental Engineering Services	Pipeline
Excavating	Plumbing
GIS Design	Snow Removal
HVAC	Traffic Control
Inspection Services	Trucking
Land Surveying	Underground Construction
Landscaping	

For more information call 312-240-7688

CLICK HERE TO RSVP

International Union of Operating Engineers
2260 S Grove Street | Chicago, IL 60616

PEOPLES GAS
NATURAL GAS DELIVERY
An Integrity Energy Group Company

NORTH SHORE GAS
NATURAL GAS DELIVERY
An Integrity Energy Group Company

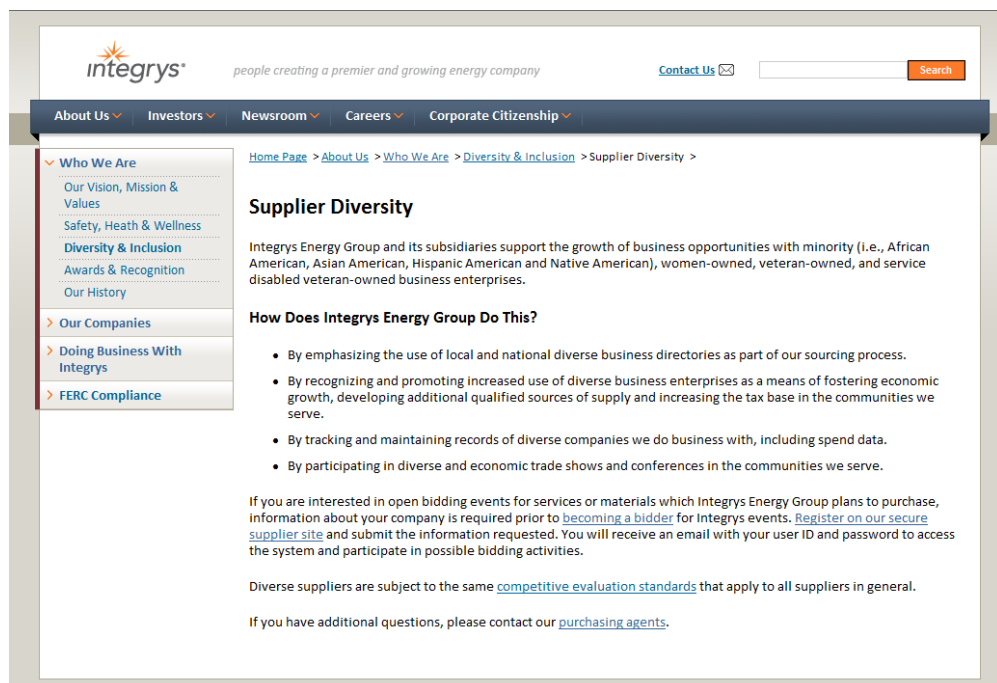
Regarding Illinois-specific data please refer to the table of Company Expenditures with Illinois-Based Suppliers in, Section 2. The table indicates \$238.7 million of the \$526 million total of the Companies expenditures went to Illinois-based companies. This is the first time such information has been provided and is a conservative estimate because of the challenges of determining if a particular supplier is based: (1) in a state versus where their corporate or sales office is located or (2) where its payments are remitted. The Companies are looking at ways to improve how to capture specific data for location of its suppliers and how to best maintain that information in our database for accurate reporting in the future.

As mentioned earlier, we are increasing the use of contractual requirements with our 1st Tier Suppliers to increase 2nd Tier Supplier spending. Today, we are tracking 20 1st Tier Suppliers who are reporting utilizing M/W/VBE/SBE 2nd Tier Suppliers. Of those 20 1st Tier Suppliers, two are WBE's and two are SBE's. Collectively, those 1st Tier Suppliers utilize close to 70 different M/W/VBE/SBEs as 2nd Tier Suppliers. At present, information is tracked manually, however we are investigating ways improve the tracking process.

IV. POLICIES AND METHODOLOGY

A. Company Diversity Procurement Policies

For many years, the Companies have been working to improve diversity procurement practices by adding guidelines and policies to focus on increasing spend with M/W/VBE/SBEs. Our website (www.integrysgroup.com/supplierdiversity) outlines our process for increasing procurement with M/W/VBE/SBEs under “How Does Integrys Energy Group Do This?”



- By recognizing and promoting increased use of diverse business enterprises as a means of fostering economic growth, developing additional qualified sources of supply and increasing the tax base in the communities we serve.
- By asking buyers and employees of Peoples Gas, North Shore Gas and IBS to include M/W/VBE/SBE 1st Tier Suppliers in every qualified purchasing opportunity.
- By including a 2nd Tier Supplier subcontracting requirements for an increasing number of new contracts with 1st Tier Suppliers.
- By emphasizing the use of local and national diverse business directories as part of our sourcing process.
- By tracking and maintaining records of the diverse companies we do business with, including spend data.

- By participating in diverse business and economic trade shows and conferences in the communities we serve.
- The Companies encourage suppliers, where applicable, to seek a 3rd party certification as M/W/VBE/SBE enterprises from one of the agencies listed:
 - Chicago Minority Supplier Development Council
 - National Minority Supplier Development Council
 - Women’s Business Development Council
 - Veterans’ Entrepreneurship Task Force
 - US Department of Veteran Affairs VetBiz Certification Program
 - City of Chicago
 - Illinois Department of Central Management Services
- The Companies do not accept self-certification for reporting.

B. Schedule of Exclusions

Payments made for the goods and services listed below are not considered “expenditures” and therefore are not included in any of the calculations made in this report.

Excluded Expenditures:

- Employee Expenses (salary, benefits, expense reimbursements, performance awards, petty cash, etc.)
- Parent, associated and/or subsidiary companies (charges for services rendered to the parent, i.e., accounting, engineering, tax, advertising costs, etc.)
- Government agencies (taxes, street opening fees, license fees, etc.)
- Other fees for utility services (gas, electric, water, and telephone)
- Fines
- Purchases from foreign-owned companies outside of the U.S. that do not add value to a product once shipped to the United States or manufacture a product in the United States
- Charities & philanthropic contributions
- U.S. Post Office
- Power or commodity purchases (gas and/or electricity for resale or nuclear fuels)
- Damages
- Lease buyouts
- Easements
- Garnishments
- Tuition to Colleges and Universities

- Memberships
- Inter-Entity Payments
- Revenue Accounts (Refunds Due Customers)

C. Definition of Supply Chain Procurement Categories

The tables in Section 2. a), b), c) and d), illustrate the significant spend in the different products/services. See Appendix A for a full listing of categories and their descriptions.

V. BUSINESS DIVERSITY GOALS

A. Plan to Increase Participation

The Companies are committed to increasing our targeted business diversity spend in 2015. Our new goals for 2015 are : (a) increase MBE spending to 4% of our overall spend, (b) increase the WBE spend target to 11% and (c) increase VBE spend target to 0.3% .

M = Millions	MBE	WBE	VBE
2015 PUBLISHED GOALS	4%	11%	0.30%
2014 PUBLISHED GOALS	3%	10%	0.20%
2014 Jan-Dec	\$15.3M	\$94.3M	\$0.9M
2014% Jan-Dec (actual \$526M total spend)	2.91%	17.93%	0.17%

In 2015, we are changing our strategy for awarding larger contracts. Although we reached and exceeded our 2014 WBE target of 10%, coming in at 17.93%, we realize a large bulk of spend was awarded to a single 1st Tier Supplier. Moving into 2015, we are using multiple contractual relationships, instead of a historically consolidated primary contract to provide the Companies with additional opportunities to achieve higher levels of participation with multiple suppliers in the different diverse categories.

The Companies have now established a track record of increasing spend to MBE's which we attribute to a more focused procurement process where we try to include M/W/VBE in every qualified procurement opportunity. The Companies will continue to add new M/W/VBE contractors in restoration, engineering and construction which are the categories (areas the majority of our spending occurs) along with other areas of spending. Further we will look to expand spending with M/W/VBE/SBE suppliers in other professional services categories, e.g. financial, legal.

Third party certifications are now a requirement for our 1st and 2nd Tier Suppliers to do business with the Companies. For verification, suppliers must provide their relevant certificates. In 2014 we established new processes for tracking and reporting metrics for companies that held 3rd party certificates. The Companies believe this has helped improving supplier focus on the right suppliers and with the right credentials.

Our new goals to increase our M/W/VBE/SBE spend in 2015 are aligned with leadership by flowing these goals to the performance review plans of key leaders within Integrys, Peoples Gas and North Shore Gas. The performance reviews are conducted bi-annually so we will be able to evaluate performance of our key leaders that can influence the M/W/VBE/SBE spend at mid-year and at the end of the year. Further, an increasing

number of new contracts for the Companies for 2015 include an increase in the goal requirements for 2nd Tier Supplier.

In early April 2015, we held our second annual Peoples Gas and North Shore Gas Supplier Diversity Forum. We invited M/W/VBE/SBE within Illinois that specialized in engineering design, environmental services and GIS support. The event brought over 50 attendees to provide an avenue to understand the Companies' business, types of work opportunities and requirements, bidder registration and the supply chain process. More importantly, the event was an opportunity to encourage and empower the attendees to network directly with company representatives and other key stakeholders.

We Encourage You to Attend!

PEOPLES GAS | NORTH SHORE GAS
NATURAL GAS DELIVERY | NATURAL GAS DELIVERY

Peoples Gas & North Shore Gas Supplier Diversity Forum
Wednesday, April 8, 2015 | 9 a.m.-1 p.m.
Aon Center | 200 East Randolph St., 22nd Floor



In 2015 & 2016, Peoples Gas and North Shore Gas plan to invest more than \$300M a year in capital construction projects including cast iron main replacement, upgrading distribution system pressure, moving meters outside of buildings high pressure transmission line upgrades and environmental services.

Peoples Gas and North Shore Gas are keen to attract and support diverse suppliers including minority-owned, women-owned and veteran-owned businesses to share in the opportunity to upgrade and modernize our natural gas infrastructure.

Participation will be limited to contractors and suppliers with experience in the following professions:

- Engineering Design
- Environmental Services
- GIS Support

Registration closes April 1, 2015.



From the positive feedback received on the April 2015 event, we are exploring a second event in the fall of 2015 to focus on other service categories of spend where we want to improve our diversity goals and objectives.

During 2014, the Companies worked with participating Illinois utility representatives, Illinois Energy Association and Dr. James Lowry on the formation of a utility diversity council to focus on business diversity initiatives in the state of Illinois. An official announcement and first meeting of the Illinois Utility Business Diversity Council is scheduled for spring 2015. From this collaboration, the Companies hope to seek new M/W/VBE/SBE suppliers to do business in 2015 and future years as well as incorporating leading practices for our diversity program.

The Companies will continue working with organizations that support economic development and business diversity such as The Chicago Minority Supplier Development Council, Illinois Hispanic Chamber of Commerce, and the Women's Business Development Council to seek potential new suppliers.

B. Plan to Increase Goals

2015 marks the development of a formal business diversity team who will be led by a new business diversity director. The search for qualified candidates for the director position is underway and we hope to have this position filled by summer of 2015. The business diversity director will report directly to the president of the Companies and will have direct access to decision makers who are qualifying and selecting suppliers and

contractors to do work for the Companies. The team will comprise business unit liaisons who will work to bring business diversity throughout the Companies' departments as well as Integrys Business Support that contribute to the total spend for the Companies.

The Companies' leadership in partnership with Supply Chain will assist in educating and communicating our commitment to supplier diversity throughout the organization. We have communicated our goals to the Companies' leaders, taking a top down approach so the key decision makers are aware of our commitments. In addition, guidelines have been provided for evaluating and awarding bids to a diverse supplier.

C. Plan to Alert and Encourage Potential Vendors

The Companies continue their outreach to diverse suppliers through our targeted business diversity forums. We recently held a forum in early April 2015 for engineering design, environmental services and GIS support. We are exploring plans for a second targeted event later in the year.

In addition to the Companies' hosted events, we will be attending events hosted by our other Illinois utility partners as well as those hosted by the various advocacy agencies. Below is a list, not exclusive, of upcoming events:

Chicago Business Opportunity Fair 48 <i>Hosted by the Chicago Minority Development Council</i>	April 23 & 24
Annual Supplier Diversity Conference <i>Hosted by the Edison Electric Institute</i>	June 2-5
Hispanic Business Expo <i>Hosted by the Illinois Hispanic Chamber of Commerce</i>	August 6
Entrepreneurial Women's Conference <i>Hosted by the Women's Business Development Council</i>	September 2

VI. AREAS OF PROCUREMENT FOR 2015

We are taking the following steps to ensure the continuous growth of our Supplier Diversity Program.

- Hosting targeted outreach programs in large spend areas with low diverse supplier participation
- Attending externally hosted events
- Encouraging networking opportunities for 1st Tier Suppliers and M/W/VBE/SBE suppliers
- Creating smaller bidding projects, allowing diverse suppliers an opportunity to participate
- Participating in the Illinois Utility Business Diversity Council as a forum to seek benchmarking, effective best practice sharing and information exchange of business diversity processes
- Strengthening contract language to turn targets into required results with an escalating factor for multi-year contracts.

VII. CHALLENGES FINDING QUALITY VENDORS

Common challenges for the Companies in finding qualified vendors are:

- Lack of experience
- More expensive and not price competitive
- Lack of formal processes, documentation and resources to sufficiently manage the requirements from the Companies
- Failure to provide sufficient information and background for qualification
- Unwilling or prefer not to bid
- Internal resource limitations to work with new companies
- Lengthy processing time for 3rd party M/W/VBE certification approval

We have provided mentorship as part of our efforts to overcome some of these challenges and have segregated projects into smaller scopes of work. The Companies welcome the collaboration with the Illinois Commerce Commission and the wider utility sector to assist in overcoming additional challenges be it through the regulatory or legislative process.

VIII. CERTIFICATIONS ACCEPTED

Certifications for MBE obtained from:

- Chicago Minority Supplier Development Council*
- City of Chicago*
- Illinois Department of Central Management Services*
- Illinois Department of Transportation*
- National Minority Supplier Development Council*
- Wisconsin Department of Administration
- Georgia Minority Supplier Development Council

Certifications for WBE obtained from:

- Women's Business Development Council*
- Women's Business Enterprise National Council*
- City of Chicago *
- California Public Utilities Commission
- California Department of Transportation
- National Women Business Owners Corporation
- Illinois Department of Central Management Services*
- Wisconsin Department of Administration
- Wisconsin Department of Commerce

Certifications for VOB obtained from:

- City of Chicago*
- Veterans' Entrepreneurship Task Force*
- Department of Veterans Affairs*
- West Virginia State Tax Department

* Preferred

IX. POINT OF CONTACT

As part of the improvements to our Supplier Diversity Program, the Companies recognize the need for an individual whose sole responsibility is to develop, promote and enhance the current program. We are currently recruiting for a business diversity director who will be the point of contact.

Until the position is filled there are several points of contacts within our Supply Chain Services group:

Arti Shadid, Director - Strategic Sourcing

AShadid@integrysgroup.com

312-240-3792

Robert Rydzewski, Manager – Contract Administration

RCRydzewski@integrysgroup.com

920-433-2266

Joan Pritchard, Manager – Contract Administration

JAPritchard@integrysgroup.com

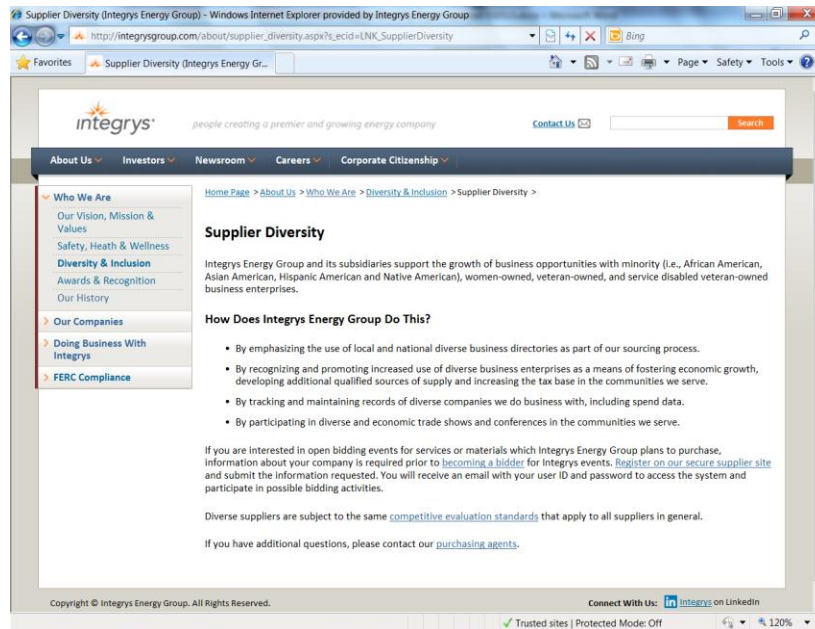
920-433-1649

INTEGRYS PURCHASING AGENTS by CATEGORY		2/2/2015
MATERIALS		
Category	Buyer	Email
Compressed Natural Gas	Lisa Hanson	LAHanson@integrysgroup.com
Power Generation	Aimee Eagle	AEagle@integrysgroup.com
	Jessica Schultz	JESchultz@integrysgroup.com
Automotive	Brian Bulkowski	BJBulkowski@integrysgroup.com
Building Supplies & Maintenance	Rick Seymour	RESeymour@integrysgroup.com
Computer & Office	Rick Seymour	RESeymour@integrysgroup.com
Electric Distribution	Donna Barrette	DLBarrette@integrysgroup.com
	Aaron Kupsky	ARKupsky@integrysgroup.com
Gas Distribution	DeLois Mackerl-Hubbard	DHMackerl-Hubbard@integrysgroup.com
	Dave Zielke	DRZielke@integrysgroup.com
Gas Storage	DeLois Mackerl-Hubbard	DHMackerl-Hubbard@integrysgroup.com
Janitorial	Rick Seymour	RESeymour@integrysgroup.com
Safety	Rick Seymour	RESeymour@integrysgroup.com
Tools	Aaron Kupsky	ARKupsky@integrysgroup.com
PROFESSIONAL SERVICES		
Category	Buyer	Email
Compressed Natural Gas Services	Todd Anderson	TSAnderson@integrysgroup.com
Corporate Services	Norlen Meton	NTMeton@integrysgroup.com
Facility / Operations Services	Jerry Weber	GJWeber@integrysgroup.com
IT Services / New Software	Brenda Zellner	BMZellner@integrysgroup.com
Overhead/Underground Construction Services (Elec & Gas)	Carrie Voskuil	CLVoskuil@integrysgroup.com
Power Generation Services	Norlen Meton	NTMeton@integrysgroup.com
Underground Construction Services (Gas - IL)	Ron Beugger	RSBeugger@integrysgroup.com

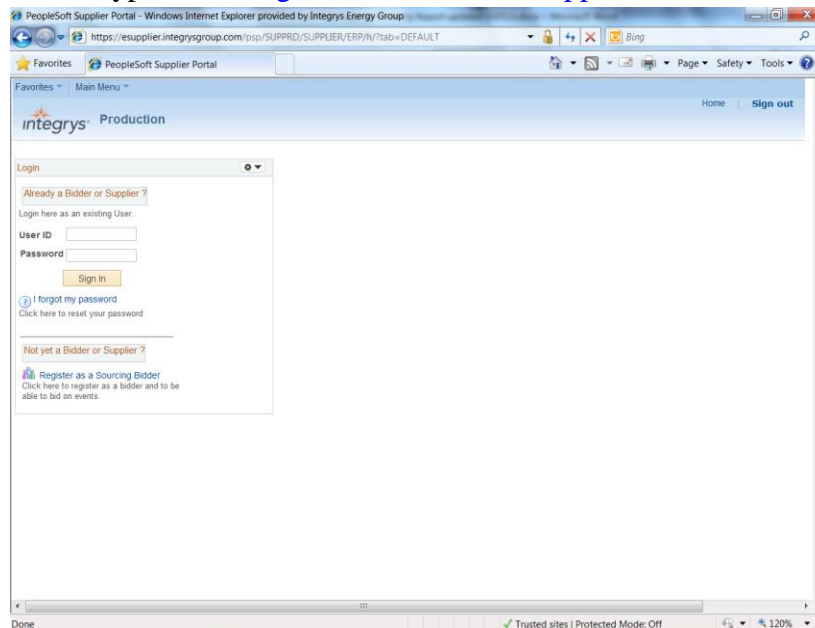
Suppliers interested in working with the Companies may register on our website as a bidder. Recent changes were made to the registration screens allowing for additional

minority designations to be captured as well as providing suppliers the ability to submit their 3rd party certifications.

1. Go to www.integrysgroup.com/supplierdiversity




2. Select hyperlink “[Register on our secure supplier site](#)”



3. Fill out the online questionnaire and attach the applicable M/W/VBE certification

[Favorites](#) > [Main Menu](#) > [Manage Events and Place Bids](#) > [Register Bidder](#)

 **Production**

Profile List Item

List Line Number		List Item
1	<input type="checkbox"/>	Large Business Concern
2	<input type="checkbox"/>	Small Business Concern
3	<input type="checkbox"/>	Black or African-American
4	<input type="checkbox"/>	Hispanic-American
5	<input type="checkbox"/>	Native-American
6	<input type="checkbox"/>	Asian Pacific Islander-American
7	<input type="checkbox"/>	Multi-Ethnic
8	<input type="checkbox"/>	Woman-Owned
9	<input type="checkbox"/>	Veteran-Owned
10	<input type="checkbox"/>	Service Disabled Veteran-Owned
11	<input type="checkbox"/>	Small Disadvantaged Business

[Return](#)

X. SUCCESS STORIES

Nash Brothers Construction Company

Nash Brothers Construction Company (“NASH”) is a Chicago based MBE underground utility contractor providing services from conduit and manhole installation and repair, gas main and service installation and emergency utility repair. Originally founded by two brothers and now led by the fourth generation of Nash, the company has been providing services since 1894.

Peoples Gas and North Shore Gas have had a history of working with NASH however in more recent years NASH has not been the successful awardee. This was due in part to the Companies’ sourcing strategy – sourcing to a limited pool of contractors that could serve the multi-state geographical locations of the utilities that make up the Integrys family. The strategy has changed to create smaller bid projects, bringing local Illinois companies into the supplier pool thus creating bidding opportunities for M/W/VBE/SBE suppliers.

NASH was included in proposals for our Calumet Transmission Phase 2 and 3 projects, although unsuccessful. However in 2014, NASH was able to successfully secure 1st tier work in various projects related to Accelerated Main Replacement Project.

NASH’s ability to be in business for over 100 years, speaks to their mission of “...delivering to each customer a completed project with accuracy, quality and professionalism...superior workmanship is consistently achieved while maintaining comprehensive safety practices.” Nash Brothers along with the Companies share similar core values: commitment to excellence, respect for employees, loyalty, and community building. The Companies appreciate NASH’s consistency, strong safety record, reliability, and excellent work practices. For anyone starting out, Chris Nash, president, recommends the following:

- Partnering with a 1st tier company to gain experience and knowledge - these relationships can be formed through job fairs and diversity forums
- Creating a robust safety training program
- Taking pride in the work you do
- Continuing education – knowing any changes in safety procedures, governmental regulations, etc.

All Girls Transportation & Logistics

All Girls Transportation (AGT&L) is an Illinois based WBE transportation company providing services to Peoples Gas and North Shore Gas as well as the other Integrys companies. Peoples Gas has been utilizing AGT&L for jobsite deliveries related to the Accelerated Main Replacement Project since 2011 as well as providing trucking services for other Integrys' subsidiaries

Angela Mock, president, has over 30 years of operational experience in the trucking industry. She had a vision to advance the trucking industry and recognized a need in the energy and utility companies.

In March of 2005 AGT&L was formed offering expertise in creating a transportation program unique to the energy and utility industry, negotiable rates and services, identifiable carriers able to serve and our unique ability to educate, communicate, and provide personalized representation.

From 2009 to 2015, AGT&L has been awarded consecutive awards for Top 100 woman-owned businesses in Illinois as well as in 2015 as a Top 500 woman-owned business in America.

Angela has remained hands on with her business and her customers, which is one of the major keys to her success. She oversees all aspects of the business. Angela continues to do on-site visits to many of her customers and provides training to plant and business personal to ensure the best possible results for the customer in moving their freight.

Angela's best piece of advice to other small diverse businesses is simple – "Find your niche, don't attempt to do it all or get the whole pie, instead cut out your slice of the pie and perfect it."

Burns & McDonnell / Tecnica

Burns & McDonnell (B & M) has been a 1st Tier Supplier to Integrys' subsidiaries since the 1980's initially providing energy services. In the 1990's B & M provided environmental compliance and permitting services, and since 2000 have partnered with Peoples Gas and North Shore Gas to undertake an aggressive manufactured gas plant (MGP) environmental clean-up program (the Program) throughout the Chicagoland area. the Companies recognized the need for creative, deliberate and cost effective solutions and worked with B & M to implement safe, technically sound remediations, demonstrating prudence and a commitment to the community and the local economy.

BUILDING THE TEAM

B & M's scope of work is to implement full turnkey environmental investigation, remedial design, permitting, remediation construction management and site restoration services on several MGP sites in the Program. They recognize the benefits of bringing vendors, suppliers and subcontractors to the team that have attributes similar to theirs, as well as an understanding of the communities they work. B & M pro-actively pre-qualified several local diverse 2nd Tier Suppliers, knowing that the Program would benefit greatly. Progressing from site to site, the up-front mentoring and investment made in the smaller diverse businesses early on reduced the learning curve and each project became more efficient.

Supplier, vendor and subcontractor pre-qualification criteria and attributes sought by B & M include:

- A commitment to safety and a record to prove it
- Relevant experience
- Attention to detail
- Diversity - a connection to the community
- Dependable resources
- Financially security
- Insurance
- Other attributes provided by candidates

DIVERSITY PARTICIPATION AND PERFORMANCE

By 2004-05, the Program was active remediating and restoring several MGP sites simultaneously. The anticipated scope of services for suppliers and subcontractors was well-defined and expansive. Typical subcontracted services included:

- Environmental excavation
- Licensed underground tank removers and installers
- Site restoration, including paving, fencing, sewers and landscaping
- Temporary facilities (e.g. trailers, restrooms, hand-wash station)
- Geotechnical testing services
- Analytical lab services – soil, groundwater and air
- Asbestos inspection and abatement
- Industrial hygiene
- Demolition
- Support services
- Engineers, field technicians and CAD specialists

In partnership with the Companies, B & M continuously search for new business opportunities and focus on diversity. A manageable scope of services is awarded and performance closely monitored. Once relationships of trust and respect were developed, mentorship and expansion of relationships become part of the model.

1. Diverse businesses offer B & M the opportunity to be a part of the local community and allowed the community to reap the rewards associated with smaller and larger construction projects.
2. B & M offer diverse firms a chance to perform a variety of services and longer-term stability associated with larger scale projects.
3. Quality site closure are offered to the Companies and its customers.

The average diversity spend on the the Companies MGP Program from 2002 through 2014 is 32 percent, with some years exceeding 40 percent. The team is proud of these efforts and the statistics speak to success and demonstrate that the model is working.

CASE STUDY

One example is the success with Tecnica, a certified MBE industrial hygiene (IH) and environmental remediation contractor who has been in business since 1987. B & M pre-qualified the firm and they were awarded the work after participating in a competitive bid process. Tecnica's commitment to quality, safety and service was evident which led to the success of the project it was a part of. Before long, the opportunities began to grow and in 2011, Tecnica was awarded a multi-million dollar remediation project to handle certain site portions of Crawford, working as a subcontractor to B & M. The Peoples Gas/B & M/Tecnica team successfully completed the project. From this success, Tecnica was awarded by receiving an even larger remediation project at Crawford, which continues to this day. Tecnica has similar values to B & M. They have an impeccable safety record, and they strive to make the client successful while continuing to look for ways to save money without compromise to quality. As Frank Munoz, vice president of Tecnica states, "As an MBE we bring measurable, bottom line value to our customers. The only way a minority business can compete is by being better than the competition. A contract is a jumping off point for what should be a much more fulfilling relationship. And we certainly found that with Burns & McDonnell. Our working relationship has opened other doors and opportunities to grow in an industry that historically has been difficult for MBEs to participate. Further, our satisfaction knowing we create real jobs for operators and laborers in our community is wonderful."

SUMMARY

The Companies continues to emphasize the benefits of considering diverse suppliers for a wide range of services either as 1st Tier or 2nd Tier Suppliers. B & M continues to develop and expand their diversity program not just on the Companies'

projects, but throughout the organization. The model is ever evolving through continuous learning and improvement.

XI. ILLINOIS COMMERCE COMMISSION WEBSITE

A. ICC Supplier Diversity Webpage

As required in Section 5-117(f) of the Public Utilities Act 220 ILCS 5/5-117, the Illinois Commerce Commission (ICC) supplier diversity webpage, <http://www.icc.illinois.gov/filings/mwvs/>, will provide links to the following Companies' information:

- A list of the points of contacts as noted in Section IX of this report.
- The annual reports for a period of 5 years.
- A list of the certifications recognized and accepted as noted in Section VIII of this report.

The annual reports required by Section 5-117 are due annually on April 15th, beginning in 2015

B. ICC Annual Supplier Diversity Meeting

Section 5-117 requires that ICC and participating utilities shall hold an [Annual Policy Meeting](#) that is open to the public on the state of supplier diversity.

The Illinois Commerce Commission annual supplier diversity policy meeting will be held at 1:00pm on June 11, 2015 at the Illinois Commerce Commission, State of Illinois Building at 160 North LaSalle Street, Chicago, Illinois 60601. The meeting agenda can be found at <http://www.icc.illinois.gov/filings/mwvs/meetings.aspx>

XII. Appendix A

Category	Description
Analysis & Testing	Services related to the analysis or testing e.g. water, soil
Automotive	Any material related to the repair or maintenance of automotive fleet.
Building Services	Services related to the repair or maintenance of our buildings or offices
Building Supplies	Any material related to miscellaneous building supplies e.g. paint, lumber, filters
Computer and Office	Any material related to computer and office supplies e.g. computer hardware/software, envelopes, forms, office furniture
Construction	Services related to underground construction
Consulting	Consulting services related to Information Technology, Financial, Human Resources
Credit & Collections	Services related to credit and collections of customer accounts
Engineering/Tech Services	Services for engineering/technical work, e.g. design work, surveying
Equipment Rental	Rental of equipment
Equipment Repair	Repair of equipment
Freight Services	Services related to the transport of material
Gas Distribution	Any material directly related to the repair or maintenance of the gas distribution system
Gas Storage	Any material directly related to the repair or maintenance of the gas storage system
Human Resources	Services related to staffing
Legal	Services related to providing legal counsel
Marketing & Advertising	Services related to marketing and advertising, e.g. media and print ads
Printing Services	Services related to the printing of company material, e.g. bill inserts
Restoration	Services provided related to landscaping or paving
Safety	Any material related to safety protection, e.g. personal protective equipment, signs, spill containment
Security	Services related to providing security protection, e.g. guard services
Software Maintenance	Services related in providing software maintenance, i.e. software renewals
Tools	Miscellaneous tools, e.g. hand/power tools, flashlights, batteries, welding supplies
Training Services	Services related to providing training seminars
Vehicle Maintenance	Services provided for vehicle maintenance that can not be done in-house, e.g. body repair, windshield replacement
Waste Disposal	Services related to the disposal of hazardous and non-hazardous material
Other	Miscellaneous materials and services that do not fall into any of the categories above